



# Financial Management Report as of June 30, 2012

## AT A GLANCE:

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for Animal Control  
Services  
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2012 revenues through  
June continued to be  
unpredictable due to  
annexation  
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2012 Sales tax revenue  
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behind budget assump-  
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*The Financial Management Report will be a challenge to interpret in 2012 due to annexation, which impacted expenditures and revenues at different times throughout 2011 and 2012. As a result, instead of discussing the comparison of 2012 actual revenues and expenditures to the prior year, this quarter's FMR will compare the 2012 actual results to the 2012 budget and highlight revenues received in 2011 that will be used to offset expenditures budgeted in 2012.*

## Summary of All Operating Funds: *Revenue*

- **General Fund** actual 2012 revenue, excluding resources forward and interfund transfers, through June is at **49.2 percent** of budget halfway through the year. This does not include \$1.7 million of revenue received from Woodinville Fire and Rescue in December 2011, but budgeted for receipt in 2012. Including this amount, the total revenue received through June would be at 51.4 percent of budget. The 2012 budget includes revenues projected for the new neighborhoods (annexation area), which are coming in lower than projected. A more detailed analysis of General Fund revenue can be found on page 3, and sales tax revenue performance can be found beginning on page 5.
- **Other General Government Funds** actual 2012 revenue through June is at **45.8 percent** of budget. \$1.1 million of one-time County Road Levy revenue budgeted in 2012 to offset authorized expenditures was received in 2011. Including the road tax received in 2011, Other General Government
- Funds actual 2012 revenue to budget would be at 51.8 percent.
- Actual 2012 revenue for the **Water/Sewer Operating Fund** through June is **46.3 percent** of budget. In 2012, sewer rates increased by 5.5 percent and water rates increased 2.2 percent.
- **Surface Water Management Fund** actual 2012 revenue is **54.1 percent** of budget. Surface Water charges are paid with property taxes, which are primarily received in April and October.
- **Solid Waste Fund** actual 2012 revenue through June is **48.0 percent** of budget. This is in line with current Solid Waste expenditures through June. In 2011, Solid Waste customers had the opportunity to move to a smaller can size. More customers moved to a smaller size than expected which caused rate revenue to come in lower than expected.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	6/30/2011	6/30/2012	% Change	2011	2012	% Change	2011	2012
<b>General Gov't Operating:</b>								
General Fund	31,340,761	38,143,858	21.7%	68,664,728	77,594,258	13.0%	45.6%	49.2%
Other General Gov't Operating Funds	6,674,447	8,711,006	30.5%	16,672,780	19,013,022	14.0%	40.0%	45.8%
<b>Total General Gov't Operating</b>	<b>38,015,208</b>	<b>46,854,864</b>	<b>23.3%</b>	<b>85,337,508</b>	<b>96,607,280</b>	<b>13.2%</b>	<b>44.5%</b>	<b>48.5%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	8,886,131	9,499,936	6.9%	19,807,418	20,540,187	3.7%	44.9%	46.3%
Surface Water Management Fund	2,917,577	4,541,623	55.7%	6,847,891	8,391,990	22.5%	42.6%	54.1%
Solid Waste Fund	4,128,990	6,345,631	53.7%	10,040,676	13,228,950	31.8%	41.1%	48.0%
<b>Total Utilities</b>	<b>15,932,698</b>	<b>20,387,190</b>	<b>28.0%</b>	<b>36,695,985</b>	<b>42,161,127</b>	<b>14.9%</b>	<b>43.4%</b>	<b>48.4%</b>
<b>Total All Operating Funds</b>	<b>53,947,906</b>	<b>67,242,054</b>	<b>24.6%</b>	<b>122,033,493</b>	<b>138,768,407</b>	<b>13.7%</b>	<b>44.2%</b>	<b>48.5%</b>

Budgeted and actual revenues exclude resources forward and interfund transfers.



### City Council Approves Contract with King County for Animal Control Services

KIRKLAND, Wash. – Kirkland's City Council on June 19 authorized City Manager Kurt Triplett to sign a new, three-year animal control contract with King County.

This new contract is a significant improvement from the original King County contract, which expires at the end of this year.

One of the new contract's most significant improvements is a change to the way King County charges Kirkland for animal control services. The new system bases 20 percent of the costs on population size and 80 percent on use. The County's old system based 50 percent of animal services costs on the city's population size. The other 50 percent was based on use. The new formula results in a decreased cost to Kirkland for all three years of the new contract.

The new contract also caps program costs in the first year, and restricts increases to inflation and major population shifts in 2014 and 2015. For Kirkland and other cities, this new approach controls costs, minimizes financial risks, and ensures predictability.

When the City's leaders analyzed the possibility of a Kirkland-run system for the same time period, they discovered that the required start-up costs exceeded the price of King County's system.

Kirkland's leaders will continue to monitor the effectiveness and cost efficiency of the regional model's service provision.

For more information contact Lorrie McKay, Intergovernmental Relations Manager, City of Kirkland at [lmckay@kirklandwa.gov](mailto:lmckay@kirklandwa.gov).

## Summary of All Operating Funds: *Expenditures*

- **General Fund** actual expenditures, excluding reserves and interfund transfers, are at **46.0 percent** of budget, halfway through the year. Savings are largely due to postponing some annexation-related hiring, position vacancies, lower fire overtime, and jail contract savings. A more detailed analysis of General Fund expenditures by department is found on page 4.
- **Other Operating Funds** actual expenditures through June 2012 are at **42.8 percent** of budget largely due to budgeted vehicle purchases which have not yet occurred and lower facility utility costs. Vehicle costs vary year-to-year depending on the planned replacement cycle. In addition, there are several new annexation-related vehicles budgeted in 2012 which have been delayed and are currently under review. Facility utility costs are down, partially due to milder winter weather, but also from staff conservation efforts and the pay-off from past investments in updated controls and equipment at various locations. Other Operating funds have also seen some savings in personnel costs due to position vacancies, primarily for annexation.
- **Water/Sewer Operating Fund** actual expenditures through June are at **50.5 percent** of budget. The City pays Cascade Water Alliance (CWA) a set rate for water each month based on average demands over three years (currently 2008-2010).
- **Surface Water Management Fund** actual 2012 expenditures through June are at **39.2 percent** of budget due to delays in hiring annexation-related positions resulting in significant savings in the personnel and supplies categories.
- **Solid Waste Fund** actual 2012 expenditures through June are at **42.6 percent** of budget and in-line with expectations.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	6/30/2011	6/30/2012	% Change	2011	2012	% Change	2011	2012
<b>General Gov't Operating:</b>								
General Fund	30,246,526	33,094,235	9.4%	67,878,459	71,897,263	5.9%	44.6%	46.0%
Other General Gov't Operating Funds	6,787,486	8,012,782	18.1%	17,106,576	18,708,834	9.4%	39.7%	42.8%
<b>Total General Gov't Operating</b>	<b>37,034,012</b>	<b>41,107,017</b>	<b>11.0%</b>	<b>84,985,035</b>	<b>90,606,097</b>	<b>6.6%</b>	<b>43.6%</b>	<b>45.4%</b>
<b>Utilities:</b>								
Water/Sewer Operating Fund	8,210,968	8,624,995	5.0%	16,765,372	17,073,833	1.8%	49.0%	50.5%
Surface Water Management Fund	1,620,872	2,130,748	31.5%	4,338,938	5,431,637	25.2%	37.4%	39.2%
Solid Waste Fund	3,033,312	5,580,985	84.0%	10,070,151	13,096,051	30.0%	30.1%	42.6%
<b>Total Utilities</b>	<b>12,865,152</b>	<b>16,336,728</b>	<b>27.0%</b>	<b>31,174,461</b>	<b>35,601,521</b>	<b>14.2%</b>	<b>41.3%</b>	<b>45.9%</b>
<b>Total All Operating Funds</b>	<b>49,899,164</b>	<b>57,443,745</b>	<b>15.1%</b>	<b>116,159,496</b>	<b>126,207,618</b>	<b>8.7%</b>	<b>43.0%</b>	<b>45.5%</b>

Budgeted and actual expenditures exclude working capital, operating reserves, capital reserves, and interfund transfers.

## General Fund Revenue

Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.

- **Sales tax** revenue allocated to the General Fund is close to budget expectations at **48.0 percent**. A detailed analysis of total **sales tax** revenue can be found starting on page 5.
- Selected large General Fund revenues are received in periodic increments, specifically **property tax** (mostly received in April/May and October/November) and **King County EMS** payments (quarterly or semi-annually).
- **Utility tax** receipts, including projected new neighborhood area revenues, are at **51.4 percent** of budget. The shortfall in telecommunication utility tax revenues experienced in 2011 continues through June 2012. In addition, water utility tax revenues are coming in under budget due to weather related variations. Together these two revenues are under expectations, approximately 8.9 percent or \$429,000. These shortfalls are offset by gas and electric utility tax revenues exceeding budget expectations due to the cooler than average weather.
- **Other taxes** actual revenue is at **53.2 percent** of budget due to gambling revenue from the new neighborhoods. Note that these taxes are paid on a semi-annual basis.
- The **business licenses (base fee) and franchise fees** are at **52.5 percent** of budget. Both business license and franchise fees are on target with budget expectations.
- The **revenue generating regulatory license** fee is slightly exceeding budget expectations at **54.6 percent** of budget.
- The **development-related fee** revenues, collectively are meeting budget expectations at **59.6 percent** of budget. **Building permits** and **plan check revenue** collectively are at **47.6 percent** of budget and **engineering services** revenue is at **90.6 percent** of budget. **Planning fees** revenue are at **85.3 percent** of budget primarily due to major Process IIA and Design Board permit revenues. Note that some of this revenue is for work to be done in subsequent years and will be set aside in reserve for that purpose.
- **Fines and Forfeitures** are below budget expectations at **25.1 percent** due to lower than expected parking infraction and traffic infraction penalty revenues. This is offset in part by salary savings from a parking enforcement officer, multiple police officer vacancies and delayed hiring of annexation-related court staff. The parking enforcement position has been filled and these revenues are expected to improve.
- **Other financing sources** includes the asset transfer from Woodinville Fire & Rescue that was received in late 2011 and budgeted in 2012. \$175,000 in Interfund Transfers budgeted

General Fund 2012 revenues are at 49.2 percent of budget (excluding \$1.7 million of revenue received from Woodinville Fire and Rescue in December 2011, budgeted in 2012).

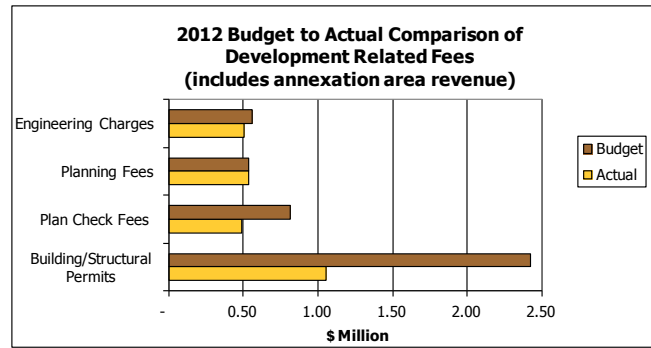
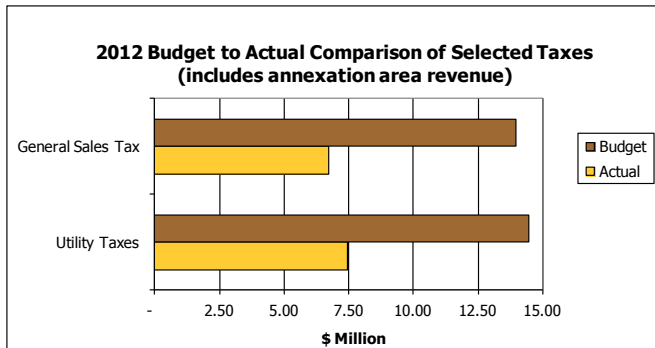
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

In 2012, about 421 of the City's 541 regular employees are budgeted within this fund.

General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	6/30/2011	6/30/2012	% Change	2011	2012	% Change	2011	2012
<b>Taxes:</b>								
Retail Sales Tax: General	6,257,202	6,704,810	7.2%	12,885,899	13,972,010	8.4%	48.6%	48.0%
Retail Sales Tax Credit: Annexation	-	1,657,761	N/A	1,129,866	3,409,791	N/A	N/A	48.6%
Retail Sales Tax: Criminal Justice	488,643	793,195	62.3%	1,149,997	1,568,112	36.4%	42.5%	50.6%
Property Tax	6,906,658	8,613,087	24.7%	13,261,709	16,049,865	21.0%	52.1%	53.7%
Utility Taxes	5,577,296	7,431,848	33.3%	12,436,696	14,468,333	16.3%	44.8%	51.4%
Rev Generating Regulatory License	1,397,560	1,304,106	-6.7%	2,344,069	2,386,300	1.8%	59.6%	54.6%
Other Taxes	156,371	534,499	241.8%	312,250	1,005,488	222.0%	50.1%	53.2%
<b>Total Taxes</b>	<b>20,783,730</b>	<b>27,039,306</b>	<b>30.1%</b>	<b>43,520,486</b>	<b>52,859,899</b>	<b>21.5%</b>	<b>47.8%</b>	<b>51.2%</b>
<b>Licenses &amp; Permits:</b>								
Building, Structural & Equipment Permits	608,564	1,054,099	73.2%	1,748,605	2,423,612	38.6%	34.8%	43.5%
Business Licenses/Franchise Fees	1,013,742	2,158,599	112.9%	3,014,279	4,109,869	36.3%	33.6%	52.5%
Other Licenses & Permits	140,053	144,822	3.4%	217,579	217,579	0.0%	64.4%	66.6%
<b>Total Licenses &amp; Permits</b>	<b>1,762,359</b>	<b>3,357,520</b>	<b>90.5%</b>	<b>4,980,463</b>	<b>6,751,060</b>	<b>35.6%</b>	<b>35.4%</b>	<b>49.7%</b>
<b>Intergovernmental:</b>								
Grants and Federal Entitlements	569,756	220,883	-61.2%	548,052	95,600	-82.6%	104.0%	231.0%
State Shared Revenues & Entitlements	412,887	753,930	82.6%	947,385	909,967	-3.9%	43.6%	82.9%
Property Tax - Fire District	-	-	-	-	1,426,568	-	-	-
Fire District #41	1,586,765	-	N/A	3,684,071	-	N/A	43.1%	N/A
EMS	-	-	N/A	868,678	866,729	N/A	N/A	N/A
Other Intergovernmental Services	170,722	52,914	-69.0%	533,087	181,040	-66.0%	32.0%	29.2%
<b>Total Intergovernmental</b>	<b>2,740,130</b>	<b>1,027,727</b>	<b>-62.5%</b>	<b>6,581,273</b>	<b>3,479,904</b>	<b>-47.1%</b>	<b>41.6%</b>	<b>29.5%</b>
<b>Charges for Services:</b>								
Internal Charges	2,714,026	2,665,282	-1.8%	5,558,328	5,882,454	5.8%	48.8%	45.3%
Engineering Services	214,056	503,329	135.1%	464,146	555,852	19.8%	46.1%	90.6%
Plan Check Fee	292,358	487,986	66.9%	1,115,779	814,484	-27.0%	26.2%	59.9%
Planning Fees	377,846	536,835	42.1%	495,044	536,799	8.4%	76.3%	100.0%
Recreation	687,833	693,897	N/A	1,162,406	1,152,963	N/A	N/A	60.2%
Other Charges for Services	591,050	852,406	44.2%	1,709,373	2,187,273	28.0%	34.6%	39.0%
<b>Total Charges for Services</b>	<b>4,877,169</b>	<b>5,739,735</b>	<b>17.7%</b>	<b>10,505,076</b>	<b>11,129,825</b>	<b>5.9%</b>	<b>46.4%</b>	<b>51.6%</b>
<b>Fines &amp; Forfeits</b>	<b>832,510</b>	<b>698,441</b>	<b>-16.1%</b>	<b>2,435,490</b>	<b>2,781,169</b>	<b>14.2%</b>	<b>34.2%</b>	<b>25.1%</b>
<b>Miscellaneous</b>	<b>344,863</b>	<b>281,129</b>	<b>-18.5%</b>	<b>641,940</b>	<b>592,401</b>	<b>-7.7%</b>	<b>53.7%</b>	<b>47.5%</b>
<b>Total Revenues</b>	<b>31,340,761</b>	<b>38,143,858</b>	<b>21.7%</b>	<b>68,664,728</b>	<b>77,594,258</b>	<b>13.0%</b>	<b>45.6%</b>	<b>49.2%</b>
<b>Other Financing Sources:</b>								
Transfer of FD 41 & WFR Balances	1,724,497	-	N/A	1,722,725	-	N/A	N/A	N/A
Interfund Transfers	-	-	N/A	275,028	98,151	N/A	N/A	N/A
<b>Total Other Financing Sources</b>	<b>1,724,497</b>	<b>-</b>	<b>N/A</b>	<b>1,997,753</b>	<b>98,151</b>	<b>N/A</b>	<b>86.3%</b>	<b>N/A</b>
<b>Total Resources</b>	<b>33,065,258</b>	<b>38,143,858</b>	<b>15.4%</b>	<b>70,662,481</b>	<b>77,692,409</b>	<b>9.9%</b>	<b>46.8%</b>	<b>49.1%</b>

Budgeted and actual revenues exclude resources forward.

## General Fund Revenue *continued*



## General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	6/30/2011	6/30/2012	% Change	2011	2012	% Change	2011	2012
Non-Departmental	426,232	502,303	17.8%	1,480,669	1,614,807	9.1%	28.8%	31.1%
City Council	195,704	215,482	10.1%	321,477	456,349	42.0%	60.9%	47.2%
City Manager's Office	745,882	828,619	11.1%	1,589,993	1,816,949	14.3%	46.9%	45.6%
Municipal Court	866,591	966,029	11.5%	1,966,708	2,590,750	31.7%	44.1%	37.3%
Human Resources	587,913	619,878	5.4%	1,267,998	1,253,506	-1.1%	46.4%	49.5%
City Attorney's Office	513,574	649,033	26.4%	1,162,037	1,353,373	16.5%	44.2%	48.0%
Parks & Community Services	3,063,952	3,358,198	9.6%	7,108,434	7,240,009	1.9%	43.1%	46.4%
Public Works (Engineering)	1,625,764	1,714,025	5.4%	3,771,045	3,932,111	4.3%	43.1%	43.6%
Finance and Administration	1,944,567	2,003,138	3.0%	4,097,765	4,567,770	11.5%	47.5%	43.9%
Planning & Community Development	1,396,150	1,498,973	7.4%	2,932,820	3,366,041	14.8%	47.6%	44.5%
Police	9,417,560	10,729,588	13.9%	22,201,553	23,507,119	5.9%	42.4%	45.6%
Fire & Building	9,462,637	10,008,969	5.8%	19,977,960	20,198,479	1.1%	47.4%	49.6%
<b>Total Expenditures</b>	<b>30,246,526</b>	<b>33,094,235</b>	<b>9.4%</b>	<b>67,878,459</b>	<b>71,897,263</b>	<b>5.9%</b>	<b>44.6%</b>	<b>46.0%</b>
<b>Other Financing Uses:</b>								
Interfund Transfers	1,258,688	1,235,132	-1.9%	3,286,374	4,918,723	49.7%	38.3%	25.1%
<b>Total Other Financing Uses</b>	<b>1,258,688</b>	<b>1,235,132</b>	<b>-1.9%</b>	<b>3,286,374</b>	<b>4,918,723</b>	<b>49.7%</b>	<b>38.3%</b>	<b>25.1%</b>
<b>Total Expenditures &amp; Other Uses</b>	<b>31,505,214</b>	<b>34,329,367</b>	<b>9.0%</b>	<b>71,164,833</b>	<b>76,815,986</b>	<b>7.9%</b>	<b>44.3%</b>	<b>44.7%</b>

Budgeted and actual expenditures exclude working capital, operating reserves, and capital reserves.

The 2012 Budget incorporates budget reductions in response to the economic downturn and additions as a result of annexation. The same dynamics impacted the 2011 budget at varying times throughout the year. This creates a challenge comparing 2012 to 2011, therefore, expenditures will only be compared to the 2012 budget.

### Comparing 2012 actual expenditures through the second quarter to the 2012 budget:

Overall, General Fund expenditures are trailing the budget at 46.0 percent of budget, excluding interfund transfers. About half of the under expenditures are a result of salary and benefit savings partially due to delays in hiring for annexation; this savings may not continue at this level through the remainder of 2012. The remaining under expenditures are primarily due to savings in intergovernmental (timing of ARCH contributions, election costs, and savings in jail contract costs) and professional services.

- Actual 2012 expenditures for the **City Council** are at **47.2 percent** of budget and are on target with budget expectations.
- The **City Manager's Office** actuals are at **45.6 percent** of budget due to some savings in benefit expenses and professional services.
- The **Municipal Court** actuals are at **37.3 percent** of budget due to savings in personnel costs associated with unfilled positions.
- Actual 2012 expenditures for **Human Resources** are at **49.5 percent** of budget and are on target with budget expectations.
- The **City Attorney's Office** expenditures are at **48.0 percent** of budget due to some savings in legal fees.

2012 General Fund actual second quarter expenditures (excluding "other financing sources") are at 46.0 percent of budget, primarily due to delays in annexation-related hiring and position vacancies in multiple departments and savings in jail costs.

(Continued on page 5)



## Financial Management Report as of June 30, 2012

- Actual 2012 expenditures for the **Parks & Community Services Department** are at **46.4 percent** of budget due to vehicles for annexation not yet purchased, operating supplies and human services contract payments, the majority of which will occur later in 2012 and the first quarter of 2013.
- Actual expenditures for the **Public Works Department** are at **43.6 percent** of budget due to position vacancies and professional services that will occur later in the year.
- The **Finance and Administration Department** expenditures are at **43.9 percent** of budget due to election and audit costs, and printing expenses which will be incurred later in the year.
- Actual 2012 expenditures for the **Planning and Community Development Department** are at **44.5 percent** of budget due to savings in personnel costs as a result of unfilled positions.
- Actual 2012 expenditures for the **Police Department** are at **45.6 percent** of budget due to savings from delayed annexation-related staffing and increased hiring of laterals (and related expenses) along with position vacancies. In addition, jail costs are under budget about \$900,000, in part, due to contracts with other agencies for lower rates than those charged by King County and an increase in the use of electronic home detention and other sentencing measures as alternatives to jail time.
- Actual 2012 expenditures for the **Fire & Building Department** are at **49.6 percent** of budget and are on target with budget expectations. A reconciliation of the funds received from the assumption of Fire District 41 is presented in the table to the right; this includes 2011-2012 revenues and expenditures. The ending total balance of approximately \$5.2 million is expected to be used for the planned fire station consolidation capital project.

### Summary of Fire District 41 Funds: Revenues & Expenditures

	Capital	General Government
<b>Revenues:</b>		
Beginning Balance	4,000,000	1,724,497
Fire District Revenues		1,872,041
Interest and Other Revenues	22,507	2,697
Transfer from General Fund**	1,220,676	
<b>Total Revenues</b>	<b>5,243,183</b>	<b>3,599,235</b>
<b>Expenditures:</b>		
Operating Costs (per ILA)*	-	169,063
Fire District 2011 Contract	-	2,209,496
Transfer to Capital Project	-	1,220,676
Station Consolidation Project	37,872	-
<b>Total Expenditures</b>	<b>37,872</b>	<b>3,599,235</b>
<b>Ending Balance</b>	<b>5,205,311</b>	<b>(0)</b>

\*Includes 2012 obligations

\*\*Transfer of remaining Fire District 41 revenues from the General Fund to the Consolidated Fire Station Capital Improvement Project

**Sales Tax Revenue Analysis** 2012 sales tax revenue through June is **up 6.9 percent** compared to the same period in 2011. The 2012 budget for sales tax revenue assumed an increase of 7.9 percent over 2011 actuals which reflected anticipated increases due to annexation.

#### Review by business sectors:

The **general merchandise/miscellaneous retail** sector is **down 1.2 percent** compared to last year due to the one-time large receipt received last year from development-related activity from one key business. Factoring out last year's large one-time receipt, the year to date revenues are 5.2 percent greater than last year.

The **auto/gas retail** sector is **up 10.8 percent** compared to last year, largely due to the addition of a new dealership in March of last year and positive performance by most of the key retailers in this category.

The **retail eating/drinking** sector performance is **up 14.3 percent** compared to last year. About 50 percent of the revenue increase is from eating and drinking establishments in the new neighborhoods.

**Other retail** is **up 23.6 percent** compared to last year. About 43 percent or \$81,000 of the increase is revenue from retail establishments in the new neighborhoods. Without the revenues from the new neighborhoods, this category would be up 13.4 percent year to date compared to last year.

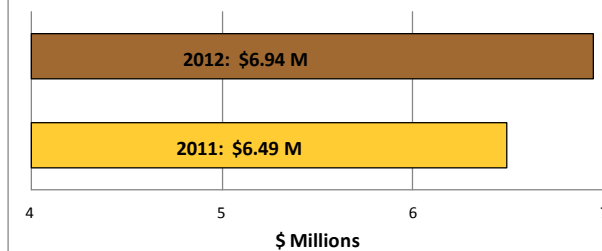
The **contracting** sector is **up 27.3 percent** compared to last year. Some of the gain in this category is one-time revenue due to the construction of two new elementary schools in the new neighborhoods.

The **services** sector is **down 6.3 percent** compared to last year, largely due to a one-time taxpayer refund of \$127,000 in the other information category. The accommodations sector is up 6.4 percent or about \$7,600.

The **communications** sector is **down 17.5 percent** compared to last year due to one-time development related revenues in February 2011 in the telecommunications category. Factoring out this one-time revenue, this category would be up 8.4 percent compared to last year.

The **miscellaneous** sector is **down 19.4 percent** compared to last year because the City received one-time Department of Revenue amnesty program revenues in 2011.

### Sales Tax Receipts Through June 2012 and 2011



#### Streamlined Sales Tax

Local coding sales tax rules changed as a result of Washington State joining the national Streamlined Sales Tax Agreement. Negative impacts from this change are mitigated by the State of Washington. Year-to-date revenue is about \$52,000, and continues to trend slightly under budget. This revenue source has been reduced due to the impact of state budget decisions.

#### Neighboring Cities Sales Tax

Bellevue was down 2.8 percent and Redmond was down 32.9 percent through June compared to the same period in 2011. Redmond was much lower due to \$4.6 million in field recoveries received in February and March 2011. Excluding field recoveries Redmond was down 0.3 percent.

## City of Kirkland Actual Sales Tax Receipts

Business Sector Group	January-June		Dollar Change	Percent Change	Percent of Total	
	2011	2012			2011	2012
Services	801,011	750,464	(50,547)	-6.3%	12.3%	10.8%
Contracting	792,860	1,009,349	216,489	27.3%	12.2%	14.5%
Communications	261,090	215,438	(45,652)	-17.5%	4.0%	3.1%
Auto/Gas Retail	1,566,941	1,735,754	168,813	10.8%	24.1%	25.0%
Gen Merch/Misc Retail	919,407	908,496	(10,911)	-1.2%	14.2%	13.1%
Retail Eating/Drinking	525,413	600,391	74,978	14.3%	8.1%	8.7%
Other Retail	789,812	976,574	186,762	23.6%	12.2%	14.1%
Wholesale	360,989	360,849	(140)	0.0%	5.6%	5.2%
Miscellaneous	474,686	382,495	(92,191)	-19.4%	7.3%	5.5%
<b>Total</b>	<b>6,492,209</b>	<b>6,939,810</b>	<b>447,601</b>	<b>6.9%</b>	<b>100.0%</b>	<b>100.0%</b>

*Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to NAICS, or "North American Industry Classification System"). Nine business sector groupings are used to compare 2011 and 2012 year-to-date sales tax receipts in the table to the left.*

## City of Kirkland Actual Monthly Sales Tax Receipts

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2011	2012		
January	1,082,225	1,104,023	21,798	2.0%
February	1,366,850	1,413,587	46,737	3.4%
March	942,887	1,054,686	111,799	11.9%
April	899,425	1,086,848	187,423	20.8%
May	1,154,252	1,132,774	(21,478)	-1.9%
June	1,046,570	1,147,892	101,322	9.7%
<b>Total</b>	<b>6,492,209</b>	<b>6,939,810</b>	<b>447,601</b>	<b>6.9%</b>

*When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City. For example, sales tax received by the City in June is for sales activity in April. Monthly sales tax receipts through June 2011 and 2012 are compared in the table above.*

- The comparison includes revenues from the new neighborhoods in 2012.
- Monthly revenue performance in 2012 continues the improvements seen in 2011.
- January 2012 was slightly ahead of January 2011. A large one-time receipt in January 2011 skews the comparison. The increase is 7.6 percent after factoring out this one-time event.
- Receipts for February were also skewed by a large one time adjustment in the communications category and the revenues from the new neighborhoods. Factoring out these revenues results in an increase of 1.8 percent.
- Factoring out revenues from the new neighborhoods results in an increase of 8.1 percent in March.
- April receipts showed significant increases in the contracting, other retail and auto/gas categories.
- Receipts for May were down largely due to a one-time taxpayer refund.
- June continued to see increases in the contracting, other retail and auto/gas retail categories.

*Kirkland's sales tax base is further broken down by business district (according to geographic area), as well as "unassigned or no district" for small businesses and businesses with no physical presence in Kirkland.*

### Comparing to the same period last year:

**Totem Lake**, which accounts for about 30 percent of the total sales tax receipts, is **up 6.7 percent** due to improvements in automotive/gas retail and despite poor performance in several of the retail sales categories in 2012. About 60 percent of this business district's revenue comes from the auto/gas retail sector.

**NE 85<sup>th</sup> Street**, which accounts for 15 percent of the total sales tax receipts, is **up 1.7 percent** primarily due to an increase in other retail, retail eating/drinking and automotive/gas retail categories. These sectors, along with general merchandise/miscellaneous retail, contribute almost 86 percent of this business district's revenue.

**Downtown**, which accounts for almost 5 percent of the total sales tax receipts, is **down 21.6 percent** largely due to a one-time taxpayer refund in the other information services category that reduced the City's receipts in May.

**Carillon Point & Yarrow Bay**, which account for 2 percent of the total sales tax receipts, are **down 37.3 percent** compared to last year primarily due to a one-time revenues in the other retail category in February 2011. About 70 percent of this business district's revenue comes from business services, retail eating/drinking and accommodations.

**Houghton & Bridle Trails**, which account for more than 2 percent of the total sales tax receipts, are **up 13.8 percent** collectively due to strong performance in the other retail category. The retail sectors provide about 69 percent of these business districts' revenue.

**Juanita**, which accounts for about 2 percent of the total sales tax receipts are **up 3.7 percent**. Increases in the retail eating/drinking are offset by poor performance in the business services category. These sectors, along with miscellaneous retail provide, about 75 percent of this business district's revenue.

**North Juanita, Kingsgate, & Finn Hill** account for more than 3 percent of the total sales tax receipts. Sales tax receipts for these business districts continue to perform below budget projections, which were based on data from King County. Retail eating/drinking and food retail sectors provide about 67 percent of these business districts sales tax revenues.

*Year-to-date sales tax receipts by business district for 2011 and 2012 are compared in the table on the next page.*

When reviewing sales tax receipts by business district, it's important to point out that more than 45 percent of the revenue received in 2012 is in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from Internet, catalog sales and other businesses located outside of the City.

City of Kirkland Sales Tax by Business District

Business District	Jan-June Receipts		Dollar Change	Percent Change	Percent of Total	
	2011	2012			2011	2012
Totem Lake	1,955,871	2,085,976	130,105	6.7%	30.1%	30.1%
NE 85th St	1,005,335	1,022,781	17,446	1.7%	15.5%	14.7%
Downtown	414,714	325,238	(89,476)	-21.6%	6.4%	4.7%
Carillon Pt/Yarrow Bay	238,161	149,422	(88,739)	-37.3%	3.7%	2.2%
Houghton & Bridle Trails	164,717	187,424	22,707	13.8%	2.5%	2.7%
Juanita	119,062	123,438	4,376	3.7%	1.8%	1.8%
Kingsgate	-	86,260	86,260	N/A	0.0%	1.2%
North Juanita	-	110,168	110,168	N/A	0.0%	1.6%
Finn Hill	-	43,873	43,873	N/A	0.0%	0.6%
Unassigned or No District:						
Contracting	792,860	1,009,174	216,314	27.3%	12.2%	14.5%
Other	1,801,489	1,796,057	(5,432)	-0.3%	29.6%	31.1%
<b>Total</b>	<b>6,492,209</b>	<b>6,939,810</b>	<b>447,601</b>	<b>6.9%</b>	<b>100.0%</b>	<b>100.0%</b>

**Sales Tax Revenue Outlook** Sales tax receipts for 2012 continue to indicate a slow recovery and the normal revenue volatility associated with sales tax revenues. The services, contracting, automotive/gas retail and other retail sectors contributed the largest amount of gain, but these sectors are very sensitive to economic conditions. The contracting sector has shown small signs of recovery, some of this gain is due to the construction of two new elementary schools in the new neighborhoods. The impact from streamlined sales tax sourcing rule changes has negatively impacted some sectors, but is offset by gains in others. Anticipating revenues from the new neighborhoods in 2012, the budget includes a 7.9 percent increase over 2011 actual. Year-to-date sales tax revenue is approximately 48 percent of the 2012 budget which is similar to the trends over the last year. The slow economic recovery poses significant risk to the City's ability to maintain services, since sales tax is one of the primary sources of general fund revenue.

#### OFFICE VACANCIES:

According to CB Richard Ellis Real Estate Services, the Eastside office vacancy rate was 13.8 percent for the second quarter of 2012 compared to 16.0 percent for the second quarter of 2011. Kirkland's 2012 vacancy rate is 7.1 percent, lower than the 2011 rate of 11.5 percent and one of the lowest vacancy rates in King County.

The Puget Sound office market has recorded nine consecutive quarters of positive absorption, which makes it one of the stronger performing markets in the country.

A positive outlook, along with a shortage of larger blocks of vacant spaces, has developers proposing 19 million square feet of new office space throughout the Puget Sound, 11.3 million are on the Eastside and 7.5 million in Seattle.

#### LODGING TAX REVENUE:

Lodging tax revenue ended the second quarter of 2012 at 44.0 percent of the budget and 9.7 percent ahead of the same period in 2011.

**Economic Environment Update** The Washington state economy is performing as expected in the second quarter of 2012. Employment growth is slightly higher than expected, but earlier estimates had been revised down, so it remains lower than originally anticipated. Aerospace employment continues to expand, but more slowly than in 2011 and is expected to peak by the end of 2012. Oil and gasoline prices have stabilized and lower oil prices have been incorporated into the State's forecast. In addition, housing construction has picked up, especially multi-family, and home prices have seen slightly positive appreciation. However, the risks to the economy remain high. Continued financial crisis in Europe remains a possibility, and potential gridlock in Washington D.C. present potential trouble for the fragile economic recovery. Next year, there is a risk of financial contraction if tax cuts expire as scheduled, the 2 percent payroll tax holiday and extended unemployment benefits end, and the automatic spending cuts mandated by the Budget Control Act are implemented. The state's economy is expected to outperform the national economy this year by a slight margin.

The U.S. **consumer confidence index** declined to 62.0 in June from 64.4 in May for the fourth consecutive month of decline. Consumers short-term confidence has faltered, due to continued economic worries and declining income and job expectations. An index of 90 indicates a stable economy and one at or above 100 indicates growth.

King County's **unemployment rate** was **7.2 percent** in June 2012 compared to 8.7 percent in June 2011. King County's unemployment rate is lower than the Washington State and national rates, which were 8.2 and 8.4 percent respectively. The unemployment rate in Kirkland for June was 6.2 percent compared to 8.0 percent in June 2011.

The Western Washington Purchasing Manager index fell in June to 55.0 from 56.2 in May. However, while optimism slipped, a score above 50 suggests a growing economy. The confidence score of 55.0 is slightly ahead of last year's score of 53.1, but far below a "high confidence" score that would be in the 70 range.

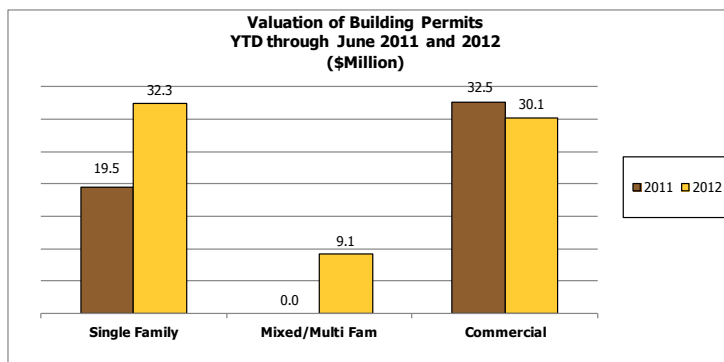
(Continued on page 8)

Local **development activity** through June comparing 2011 to 2012 as measured by the valuation of City of Kirkland building permits is illustrated in the chart to the right. Overall activity is up about 37 percent from last year primarily due to strong gains in single family construction, which is up about 66 percent over the same period last year and an increase in mixed use and multi-family permits. Beginning in June of 2012 public building permit data has been combined with commercial permits.

#### Closed sales of new and existing single-family homes

on the Eastside were up 19.4 percent in June 2012 compared to June 2011. The median price of a single family home increased 0.5 percent to \$512,500 in 2012 from \$510,000 in 2011. Closed sales of condos throughout King County were up 16 percent and median prices increased by 5 percent. Overall the median price of single-family homes and condos has risen over 2011 prices throughout King County for the third straight month. One reason for the rise in prices is the lack of available inventory. Houses listed for sale in King County are down 38 percent from June 2011 and condos are down 53 percent.

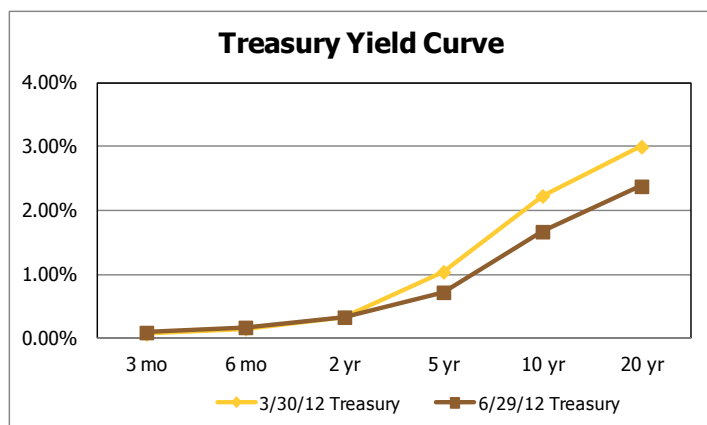
**Seattle metro consumer price index (CPI)** fluctuated throughout 2011, peaking at 4.3 percent in October, but averaging 3.2 percent for the year. The Seattle index is calculated on a bi-monthly basis and the most recent index in June was 2.7 percent.



## Investment Report

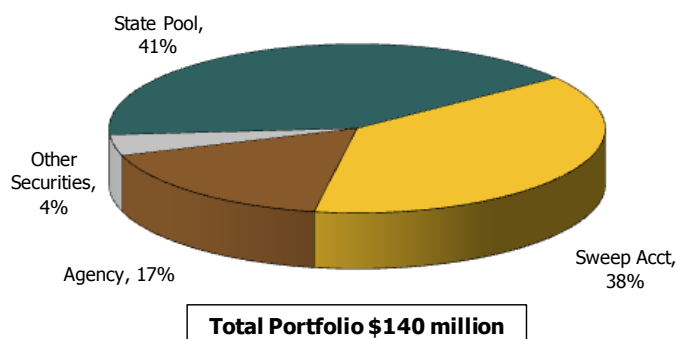
### MARKET OVERVIEW

The Fed Funds rate remained at 0.25 percent during the second quarter of 2012. There are few indications of any change as the economy continued its below average recovery. The yield curve saw little change in the short term rates and flattened on the long end of the curve with longer term returns dropping.



The City's portfolio increased in the second quarter of 2012 to \$140 million compared to \$135.6 million at the end of the first quarter of 2012. The increase in the portfolio is related to the normal cash flows of the second quarter, as the first half of property taxes is received at the end of April and early May.

### Investments by Category



### CITY PORTFOLIO

It is the policy of the City of Kirkland to invest public funds in a manner which provides the highest investment return with maximum security while meeting the City's daily cash flow requirements and conforming to all Washington state statutes governing the investment of public funds.

The primary objectives for the City of Kirkland's investment activities are: legality, safety, liquidity and yield. Additionally, the City diversifies its investments according to established maximum allowable exposure limits so that reliance on any one issuer will not place an undue financial burden on the City.

### Diversification

The City's current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, State and Local Government bonds, the State Investment Pool and an overnight bank sweep account. Kirkland's investment policy allows up to 100 percent of the portfolio to be invested in U.S. Treasury or U.S. Government Sponsored Enterprises (GSEs) securities with a limit of 30 percent of the portfolio invested in any one agency.



## 2012 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for growth in the U.S. economy is mostly unchanged from three months ago, according to 39 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 2.4 percent in 2012. CPI inflation is expected to average 2.3 percent in 2012 and 2.1 percent in 2013. The unemployment rate is expected to average 8.1 percent in 2012 and fall to 7.7 percent in 2013. The Fed Funds rate, currently at 0.25%, is expected to remain at this level throughout 2013 and into 2014.

The duration and earnings of the portfolio will continue to decrease as securities mature and are called. Opportunities for increasing portfolio returns are scarce as short term interest rates continue at historically low levels. New security purchases will be made as opportunities to obtain better returns become available. During periods of low interest rates the portfolio duration should be kept shorter with greater liquidity so that the City is in a position to be able to purchase securities with higher returns when interest rates begin to rise. The State Pool is currently at 0.17% and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total estimated investment income for 2012 is \$800,000.

## Investment Report *continued*

### Liquidity

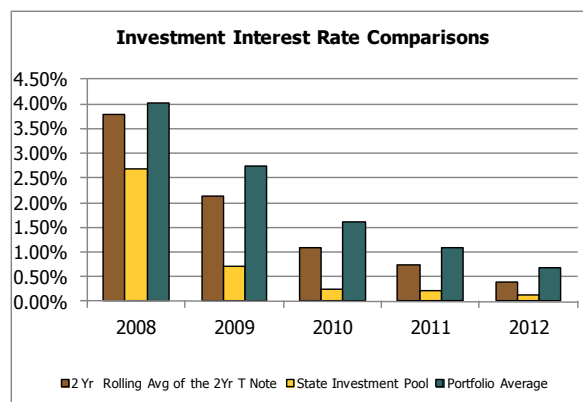
The target duration for the City's portfolio is based on the 2 year treasury rate which returned to 0.33 percent, the same level on June 30, 2012 as it was on March 31, 2012. The average maturity of the City's investment portfolio decreased slightly from 0.75 years on March 31, 2012 to 0.66 years on June 30, 2012, due to the longer term securities being called as the interest rates continue to drop.

### Yield

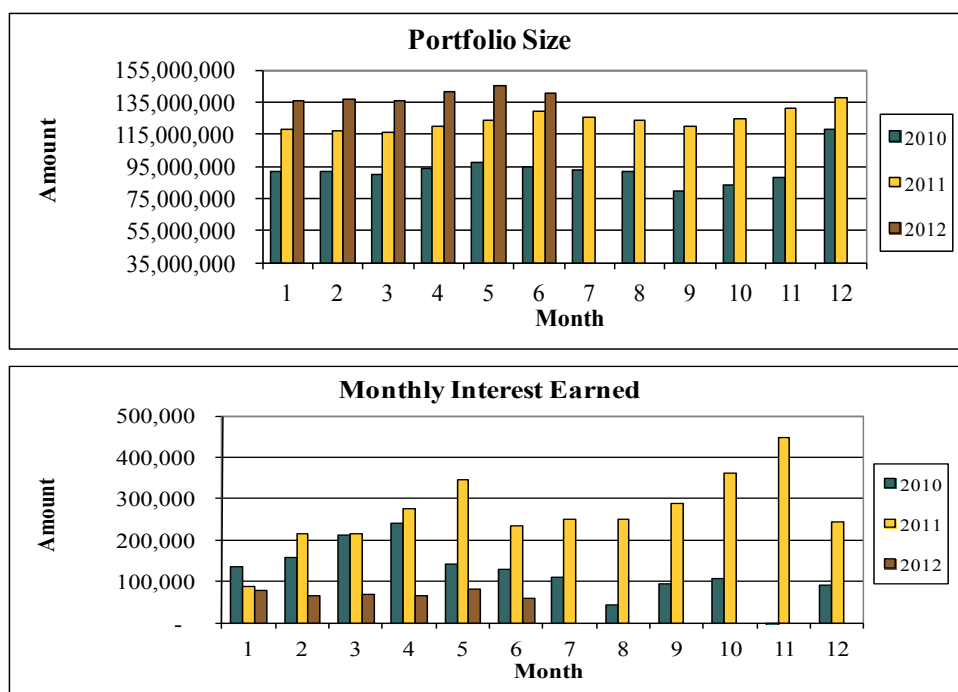
The City Portfolio yield to maturity decreased from 0.69 percent on March 31, 2012 to 0.52 percent on June 30, 2012. Through June 30, 2012, the City's annual average yield to maturity was 0.68 percent. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council. The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury Note, which was 0.40 percent on June 30, 2012.

The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the adjacent graph.

Benchmark Comparison	March 31, 2012	June 30, 2012
City Yield to Maturity (YTM)	0.69%	0.52%
City Average YTM	0.70%	0.68%
City Year to Date Yield	1.48%	1.48%
90 Day Treasury Bill	0.07%	0.09%
2 yr Rolling Avg 2 yr T Note	0.47%	0.40%



The charts below compare the monthly portfolio size and interest earnings for 2010 through June 2012.



**Reserves** are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances at the end of the biennium as of June 30, 2012.

## Reserve Analysis

### General Purpose Reserves

- The **Revenue Stabilization Reserve** was used almost in its entirety during the 2009-10 biennium as part of the budget balancing strategy to address the severe economic downturn, which allowed the City to mitigate some negative impacts to services. General Fund 2010 year-end cash was used to replenish this reserve in the amount of \$600,000 in 2011 and an additional \$500,000 replenishment was made as part of the Mid-Biennial budget process. Further replenishment will remain a high priority.
- The **Building and Property Reserve** has been identified as an available funding source for facility expansion and renovation projects, which include the new Public Safety Building, and possibly the Eastside Rail Corridor.

### General Capital Reserves

- The downturn in real estate transactions over the last few years has significantly impacted **Real Estate Excise Tax (REET)** collections resulting in adjustments to capital project planning to reflect available funding. Through June 30, 2012 REET revenues saw a 29 percent increase over 2011. REET revenues are at 103.4 percent of budget 50 percent of the way through the year.
- **Impact fees** are currently 329 percent ahead of the same period in 2011 with increases in both transportation and park impact fees. Transportation fees through June 30, 2012 are at 113.2 percent of the 2012 budget and park fees are at 198.4 percent. There is no planned use for capital projects in the current budget cycle, since these revenue sources were expected to remain extremely low compared to historical trends until development activity improved.

### General Government & Utility Reserves Targets Summary

Reserves	2011 Beginning Balance	Adopted 2012 Ending Balance	Revised 2012 Ending Balance	2011-12 Target	Revised Over (Under) Target
<b>GENERAL PURPOSE RESERVES WITH TARGETS</b>					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	50,000	50,000	0
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,127,496	(1,320,983)
Revenue Stabilization Reserve	131,431	731,431	1,231,431	2,279,251	(1,047,820)
Council Special Projects Reserve	201,534	251,534	189,534	250,000	(60,466)
Contingency	2,051,870	2,201,870	2,201,870	4,016,232	(1,814,362)
General Capital Contingency:	4,844,957	4,669,463	3,919,463	6,766,320	(2,846,857)
<b>General Purpose Reserves with Targets</b>	<b>10,086,305</b>	<b>10,710,811</b>	<b>10,398,811</b>	<b>17,489,299</b>	<b>(7,090,488)</b>
<b>ALL OTHER RESERVES WITH TARGETS</b>					
General Fund Reserves:					
Litigation Reserve	70,000	70,000	0	50,000	(50,000)
Firefighter's Pension Reserve	1,595,017	1,734,215	1,734,215	1,568,207	166,008
Health Benefits Fund:					
Claims Reserve	0	1,424,472	1,424,472	1,424,472	0
Rate Stabilization Reserve	0	500,000	500,000	500,000	0
Excise Tax Capital Improvement:					
REET 1	1,530,280	1,019,907	825,373	1,035,000	(209,627)
REET 2	7,121,695	4,975,718	4,658,465	11,484,000	(6,825,535)
Water/Sewer Operating Reserve:	1,979,380	1,979,380	1,939,380	1,979,380	(40,000)
Water/Sewer Debt Service Reserve:	822,274	508,717	508,717	508,717	0
Water/Sewer Capital Contingency:	1,793,630	1,793,630	1,793,630	250,000	1,543,630
Surface Water Operating Reserve:	412,875	412,875	412,875	412,875	0
Surface Water Capital Contingency:	858,400	858,400	858,400	758,400	100,000
<b>Other Reserves with Targets</b>	<b>16,183,551</b>	<b>15,277,314</b>	<b>14,655,527</b>	<b>19,971,051</b>	<b>(5,315,524)</b>
<b>Reserves without Targets</b>	<b>30,815,305</b>	<b>36,462,059</b>	<b>32,118,236</b>	<b>n/a</b>	<b>n/a</b>
<b>Total Reserves</b>	<b>57,085,161</b>	<b>62,450,184</b>	<b>57,172,574</b>	<b>n/a</b>	<b>n/a</b>

*The target comparison reflects revised ending balances to the targets established in the budget process for those reserves with targets.*

*General Purpose reserves are funded from general revenue and may be used for any general government function.*

*All Other Reserves with Targets have restrictions for use either from the funding source or by Council-directed policy (such as the Litigation Reserve).*

*The summary to the right details all Council authorized uses and additions through June 30, 2012.*

### USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
<b>2011-12 Council Authorized Uses</b>		
2011 Total Uses	\$1,523,458	
2012 First Quarter Total Uses	\$311,500	
Development Services Reserve	\$57,003	Temporary Construction Inspector
Council Special Project Reserve	\$7,000	Community Event - Summerfest
Lodging Tax Reserve	\$4,800	Community Event - Tall Ships
Real Estate Excise Tax (REET 1)	\$45,147	Green Kirkland Staffing
Real Estate Excise Tax (REET 2)	\$34,000	Central Way Pedestrian Enhancements
Water/Sewer Construction Reserve	\$2,030,388	Cross Kirkland Corridor Interfund Loan
Surface Water Mgmt. Const. Rsv.	\$2,000,000	Cross Kirkland Corridor Interfund Loan
<b>2011-12 Council Authorized Additions</b>		
Council Special Projects Reserve	\$3,000	CDBG Funding Request Withdrawn
Revenue Stabilization Reserve	\$500,000	Replenishing Revenue Stabilization Reserve
Radio Reserve	\$7,686	Reimbursement from NORCOM
Development Services Reserve	\$280,000	Recognizing Additional Development Services Revenue for Future Work

*General Fund and Contingency reserves are funded from general purpose revenue and are governed by Council-adopted policies.*

*Note: Fund structure changes required by new accounting standards moved many of the General Purpose reserves out of the Parks & Municipal Reserve Fund (which was closed) and to the General Fund.*

*Special Purpose reserves reflect both restricted and dedicated revenue for specific purpose, as well as general revenue set aside for specific purposes.*

*General Capital Reserves provide the City the ability to respond to unexpected changes in costs and accumulate funds for future projects. It is funded from both general revenue and restricted revenue.*

*Utility reserves are funded from utility rates and provide the utilities with the ability to respond to unexpected costs and accumulate funds for future replacement projects.*

*Internal service funds are funded by charges to operating departments. They provide for the accumulation of funds for replacement of equipment, as well as the ability to respond to unexpected costs.*

Reserves	Description	2011 Beginning Balance	Adopted 2012 Ending Balance	Additional Authorized Uses/Additions	Revised 2012 Ending Balance
<b>GENERAL FUND/CONTINGENCY</b>					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	0	50,000
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	131,431	731,431	500,000	1,231,431
Building & Property Reserve	Property-related transactions	2,137,598	2,137,598	0	2,137,598
Council Special Projects Reserve	One-time special projects	201,534	251,534	(62,000)	189,534
Contingency	Unforeseen expenditures	2,051,870	2,201,870	0	2,201,870
<b>Total General Fund/Contingency</b>		<b>7,378,946</b>	<b>8,178,946</b>	<b>438,000</b>	<b>8,616,946</b>
<b>SPECIAL PURPOSE RESERVES</b>					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	70,000	70,000	(70,000)	0
Labor Relations Reserve	Labor negotiation costs contingency	70,606	70,606	0	70,606
Police Equipment Reserve	Equipment funded from seized property	50,086	50,086	0	50,086
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	800,000	0	800,000
Development Services Reserve	Revenue and staffing stabilization	486,564	636,564	165,997	802,561
Tour Dock	Dock repairs	81,745	81,745	0	81,745
Tree Ordinance	Replacement trees program	29,117	29,117	(10,000)	19,117
Donation Accounts	Donations for specific purposes	185,026	185,026	0	185,026
Revolving Accounts	Fee/reimbursement for specific purposes	436,386	436,386	(2,318)	434,068
Lodging Tax Fund	Tourism program and facilities	146,384	123,566	(19,800)	103,766
Cemetery Improvement	Cemetery improvements/debt service	439,415	439,415	0	439,415
Off-Street Parking	Downtown parking improvements	10,776	10,776	(1,500)	9,276
Firefighter's Pension	Long-term care/pension benefits	1,595,017	1,734,215	0	1,734,215
<b>Total Special Purpose Reserves</b>		<b>5,019,201</b>	<b>5,285,581</b>	<b>62,379</b>	<b>5,347,960</b>
<b>GENERAL CAPITAL RESERVES</b>					
Excise Tax Capital Improvement:					
REET 1	Parks/transportation/facilities projects, parks debt service	1,530,280	1,019,907	(194,534)	825,373
REET 2	Transportation capital projects	7,121,695	4,975,718	(317,253)	4,658,465
Impact Fees					
Roads	Transportation capacity projects	525,095	1,112,245	0	1,112,245
Parks	Parks capacity projects	2,033	3,038	0	3,038
Street Improvement	Street improvements	1,092,258	1,092,258	(42,000)	1,050,258
General Capital Contingency	Changes to General capital projects	4,844,957	4,669,463	(750,000)	3,919,463
<b>Total General Capital Reserves</b>		<b>15,116,318</b>	<b>12,872,629</b>	<b>(1,303,787)</b>	<b>11,568,842</b>
<b>UTILITY RESERVES</b>					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	1,979,380	1,979,380	(40,000)	1,939,380
Water/Sewer Debt Service Reserve	Debt service reserve	822,274	508,717	0	508,717
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,793,630	1,793,630	0	1,793,630
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	7,870,665	9,871,542	(2,441,888)	7,429,654
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	412,875	412,875	0	412,875
Surface Water Capital Contingency	Changes to Surface Water capital projects	858,400	858,400	0	858,400
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	2,483,250	3,666,250	0	3,666,250
Surface Water Construction Reserve	Trans. related surface water projects	2,848,125	3,376,431	(2,000,000)	1,376,431
<b>Total Utility Reserves</b>		<b>19,068,599</b>	<b>22,467,225</b>	<b>(4,481,888)</b>	<b>17,985,337</b>
<b>INTERNAL SERVICE FUND RESERVES</b>					
Health Benefits:					
Claims Reserve	Health benefits self insurance claims	0	1,424,472	0	1,424,472
Rate Stabilization Reserve	Rate stabilization	0	500,000	0	500,000
Equipment Rental:					
Vehicle Reserve	Vehicle replacements	7,718,221	8,047,063	0	8,047,063
Radio Reserve	Radio replacements	0	0	7,686	7,686
Information Technology:					
PC Replacement Reserve	PC equipment replacements	258,311	318,646	0	318,646
Technology Initiative Reserve	Technology projects	690,207	690,207	0	690,207
Major Systems Replacement Reserve	Major technology systems replacement	245,500	84,900	0	84,900
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund	20-year facility life cycle costs	1,039,858	2,030,515	0	2,030,515
<b>Total Internal Service Fund Reserves</b>		<b>10,502,097</b>	<b>11,721,331</b>	<b>7,686</b>	<b>11,729,017</b>
<b>Grand Total</b>		<b>57,085,161</b>	<b>62,450,184</b>	<b>(5,277,610)</b>	<b>57,172,574</b>



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The Financial Management Report (FMR) is a high-level status report on the City's financial condition that is produced quarterly.

- It provides a **summary budget to actual comparison** for year-to-date revenues and expenditures for all operating funds.
- The **Sales Tax Revenue Analysis** report takes a closer look at one of the City's larger and most economically sensitive revenue sources.
- **Economic environment** information provides a brief outlook at the key economic indicators for the Eastside and Kirkland such as office vacancies, residential housing prices/sales, development activity, inflation and unemployment.
- The **Investment Summary** report includes a brief market overview, a snapshot of the City's investment portfolio, and the City's year-to-date investment performance.
- The **Reserve Summary** report highlights the uses of and additions to the City's reserves in the current year as well as the projected ending reserve balance relative to each reserve's target amount.

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- Washington State Department of Labor & Industries
- City of Kirkland Building Division
- City of Kirkland Finance & Administration Department